

**REPORT OF THE AUDIT OF THE
FORMER LESLIE COUNTY
SHERIFF**

**For The Year Ended
December 31, 2014**



**MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS
www.auditor.ky.gov**

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EXECUTIVE SUMMARY
AUDIT OF THE
FORMER LESLIE COUNTY SHERIFF

For The Year Ended
December 31, 2014

The Auditor of Public Accounts was engaged to audit the fee account activities of the former Leslie County Sheriff's office for the year ended December 31, 2014. Based upon the audit work performed, we have issued a disclaimer of opinion on the financial statement.

Based upon our assessment of audit risk, we determined audit risk to be too high to issue an opinion and we were unable to apply other audit procedures to overcome this risk. In addition, the former Leslie County Sheriff's office had serious weaknesses in the design and operation of its internal control structure and accounting functions.

Report Comments:

- 2014-001 The Former Sheriff Did Not Maintain Or Provide Sufficient And Accurate Financial Records In A Timely Manner
- 2014-002 The Former Sheriff's Office Lacked Adequate Segregation Of Duties Over Receipts, Disbursements, And Reconciliations
- 2014-003 Deposits Were Not Made Intact On A Timely Basis
- 2014-004 The Former Sheriff's Office Did Not Issue Receipts For All Automobile Inspections
- 2014-005 The Former Sheriff's Office Spent Fee Receipts On Disallowed Disbursements Totaling \$18,175
- 2014-006 The Former Sheriff Did Not Reimburse The Fiscal Court For Payroll Expenses Totaling \$104,165
- 2014-007 The Former Sheriff's Operating Disbursements Exceeded Amount Budgeted And Exceeded Recorded Fee Receipts
- 2014-008 The Former Sheriff's Donation Account Was Not In Compliance With KRS 61.310(8)
- 2014-009 The Former Sheriff Spent Donated Monies On Disallowed Disbursements Totaling \$2,332
- 2014-010 The Former Sheriff Is Personally Responsible For \$101,992 To His Fee Account And \$2,332 To His Donated Funds Account
- 2014-011 Additional Fees Of \$2,190 Were Not Properly Remitted To The Fiscal Court
- 2014-012 The Former Sheriff Has Not Settled 2013 Fee Account Receivables, Liabilities, And Deficit Or The Donation Account Deficit Due Per Audit
- 2014-013 The Former Sheriff Has Not Settled 2012 Fee Account Receivables, Liabilities, And Deficit Or The Donation Account Deficit Due Per Audit
- 2014-014 The Former Sheriff Has Not Settled 2011 Fee Account Receivables, Liabilities, And Deficit Or The Donation Account Deficit Due Per Audit
- 2014-015 The Former Sheriff Has Not Settled 2010 Fee Account Receivables, Liabilities, And Deficit Due Per Audit
- 2014-016 The Former Sheriff Has Not Settled 2008 And 2009 Fee Account Receivables, Liabilities, And Deficit Due Per Audit
- 2014-017 Telecommunication Tax Commissions Of \$1,025 Are Due To The Fiscal Court Per 2007 Audit

**EXECUTIVE SUMMARY
AUDIT OF THE
FORMER LESLIE COUNTY SHERIFF
For The Year Ended
December 31, 2014
(Continued)**

Deposits:

The former Sheriff's deposits as of December 5, 2014 were exposed to custodial credit risk as follows:

- Uncollateralized and Uninsured \$1,249,236

The former Sheriff's deposits were covered by FDIC insurance and a properly executed collateral security agreement, but the bank did not adequately collateralize the former Sheriff's deposits in accordance with the security agreement.

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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Jimmy Sizemore, Leslie County Judge/Executive
The Honorable Paul Howard, Former County Sheriff
The Honorable Delano Huff, Leslie County Sheriff
Members of the Leslie County Fiscal Court

Independent Auditor's Report

Report on the Financial Statement

We were engaged to audit the Statement of Receipts, Disbursements, and Excess Fees - Regulatory Basis of the former Leslie County Sheriff of Leslie County, Kentucky, for the year ended December 31, 2014 and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of the financial statement in accordance with accounting practices prescribed or permitted by the laws of Kentucky to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statement based on conducting the audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the *Audit Guide for County Fee Officials* issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Because of the matters described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

The former Sheriff did not maintain adequate accounting records of fee account receipts and disbursements to allow us to apply other auditing procedures to satisfy ourselves as to the validity of fee account receipts and disbursements, which resulted in a high level of audit risk. Auditors were also unable to obtain a representation letter from the former Sheriff. Due to the apparent lack of internal controls and the above noted issues, we were unable to reduce the audit risk to an acceptable level.



The Honorable Jimmy Sizemore, Leslie County Judge/Executive
 The Honorable Paul Howard, Former Leslie County Sheriff
 The Honorable Delano Huff, Leslie County Sheriff
 Members of the Leslie County Fiscal Court

Disclaimer of Opinion

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the financial statement.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 17, 2016 on our consideration of the former Leslie County Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the former Leslie County Sheriff's internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control over financial reporting and compliance.

Based on the results of our audit, we have presented the accompanying comments and recommendations, included herein, which discusses the following report comments:

- 2014-001 The Former Sheriff Did Not Maintain Or Provide Sufficient And Accurate Financial Records In A Timely Manner
- 2014-002 The Former Sheriff's Office Lacked Adequate Segregation Of Duties Over Receipts, Disbursements, And Reconciliations
- 2014-003 Deposits Were Not Made Intact On A Timely Basis
- 2014-004 The Former Sheriff's Office Did Not Issue Receipts For All Automobile Inspections
- 2014-005 The Former Sheriff's Office Spent Fee Receipts On Disallowed Disbursements Totaling \$18,175
- 2014-006 The Former Sheriff Did Not Reimburse The Fiscal Court For Payroll Expenses Totaling \$104,165
- 2014-007 The Former Sheriff's Operating Disbursements Exceeded Amount Budgeted And Exceeded Recorded Fee Receipts
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- 2014-015 The Former Sheriff Has Not Settled 2010 Fee Account Receivables, Liabilities, And Deficit Due Per Audit

The Honorable Jimmy Sizemore, Leslie County Judge/Executive
The Honorable Paul Howard, Former Leslie County Sheriff
The Honorable Delano Huff, Leslie County Sheriff
Members of the Leslie County Fiscal Court

Other Reporting Required by *Government Auditing Standards* (Continued)

- 2014-016 The Former Sheriff Has Not Settled 2008 And 2009 Fee Account Receivables, Liabilities,
And Deficit Due Per Audit
2014-017 Telecommunication Tax Commissions Of \$1,025 Are Due To The Fiscal Court Per 2007
Audit

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Mike Harmon", followed by a long horizontal line extending to the right.

Mike Harmon
Auditor of Public Accounts

March 17, 2016

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LESLIE COUNTY
FORMER SHERIFF'S QUARTERLY REPORT

LESLIE COUNTY
FORMER SHERIFF'S QUARTERLY REPORT

Form For Budget, Cumulative Quarterly Report and Annual Settlement For Calendar Year 2015

 Leslie County Sheriff

Part One - Summary and Reconciliation of All Accounts

Show & Describe All Accounts		Column 1 2014 Budget Budget Estimate	Column 2 20__ Fee Account Cumulative Actual	Column 3 2015 Fee Account Account (NOT FEE ACCOUNT)	Column 4 Account (NOT FEE ACCOUNT)	Column 5 Account (NOT FEE ACCOUNT)
1. Receipts YTD		\$421,770.00	\$18,121.56	\$111,805.18	\$102,357.66	\$80,412.07
2. Total Disbursements YTD		\$421,770.00	\$6,846.26	\$118,989.50	\$101,055.99	\$31,832.12
3. Book Balance/Excess Fees			\$11,305.00	(\$7,184.32)	\$1,301.67	\$48,579.95
4. Bank Statement Balance						
5. Plus Deposits in Transit						
6. Less Outstanding Checks						
7. Other						
8. Reconciled Bank Balance						
9. Accounts Receivable as of 12/31						
10. Unpaid Obligations as of 12/31						
11. Excess Fees						

Instructions: This form is the required format for the budget and the quarterly report. BUDGET. After completing the budget estimate columns of Parts One, Two and Three, submit to the fiscal court for approval by January 15th and following approval submit to the state local finance officer. QUARTERLY REPORT. The quarterly report is cumulative. Show the status of all funds in the official's charge during calendar year to date in Part One. Line 1. Show total receipts on a cash basis for the year to date including any beginning balances for all accounts. Show current year fee account in COLUMN 2 as calculated in Part Two of report. Line 2. Show total disbursements on a cash basis for the year to date for all accounts. Show current year fee account in COLUMN 2 as calculated in Part Two of report. Line 3. Show difference between lines 1 and 2 for all accounts. Line 4. Show bank statement balance(s) at close of quarter. Line 5. Show total deposits made prior to close of quarter. Line 6. Show difference between lines 1 and 2 for all accounts. Line 7. Show bank statement balance(s) at close of quarter. Line 8. Show total deposits made prior to close of quarter. Line 9. Show total amount of checks issued prior to close of quarter that are not reflected in bank statement(s). Line 10. Complete for quarter ending 12/31. Show calculation in Part Four. Report due to: State Local Finance Officer, 1024 Capital Center Drive, Suite 340, Frankfort, KY 40601-9204 by the 30th day following the close of each quarter. Fax # 502-573-3712 / Ph # 502-573-3710.

Approved by the fiscal court on the ____ day of _____, 20__.

To the best of my knowledge the information reported herein for the budget quarter ended _____ is accurate and complete.

County Judge/Executive _____ Date _____

Signature of County Sheriff _____

Date _____

LESLIE COUNTY
FORMER SHERIFF'S QUARTERLY REPORT
(Continued)

Part Two Receipts	Budget Estimate	1/1 thru 3/31	4/1 thru 6/30	7/1 thru 9/30	10/1 thru 12/31	Total YTD	Accounts Receivable 12/31	Settlement Total
1. Federal Grants	\$15,000.00		\$1,120.00	\$8,021.32	\$6,631.69	\$15,773.01		
2. State Grants	\$5,000.00							
3. State - KLEFP	\$18,000.00	\$2,456.96	\$3,685.44	\$3,660.44	\$1,964.08	\$11,766.92		
4. Receipts YTD								
5. HB 452	\$2,000.00	\$227.29	\$1,510.36	\$229.75	\$695.86	\$2,663.26		
6. Finance and Administration	\$4,600.00							
7. Circuit Clerk								
8. Sher (Bailiff)		\$163.00		\$628.04	\$2,139.85			
9. Fines/Fees Collected	\$1,000.00							
10. Court Ordered Payments		\$220.00	\$180.00	\$1,230.00	\$240.00	\$1,870.00		
11. Fiscal Court (includes Election Contm.)	\$0.00							
12. County Clerk (delinquent taxes)	\$16,500.00	\$232.26	\$509.06			\$741.32		
13. Commissions on Taxes Collected	\$280,000.00	\$11,548.75	\$100,767.32	\$6,167.72	\$61,822.15	\$180,305.94		
14. Fees Collected for Services								
15. Auto Inspections	\$300.00	\$130.00	\$110.00	\$10.00	\$165.00	\$415.00		
16. Accident/Police Reports	\$120.00	\$53.00	\$10.00	\$80.00	\$85.00	\$228.00		
17. Serving Papers	\$12,000.00	\$2,160.00	\$2,093.00	\$1,400.00	\$2,650.00	\$8,303.00		
18. CCDW	\$2,200.00	\$320.00	\$440.00	\$480.00	\$810.00	\$2,080.00		
WARRANT	\$3,000.00	\$610.00	\$530.00	\$370.00	\$670.00	\$2,180.00		
Transfer		\$30.00	\$150.00	\$80.00	\$40.00	\$300.00		
19. Mental Transport	\$2,000.00		\$700.00			\$700.00		
20. Telecommunications					\$2,305.71	\$2,305.71		
21. Interest Earned	\$50.00				\$2.15			
22. Total Receipts	\$361,770.00		\$111,805.18	\$22,357.27	\$80,412.07	\$229,632.16		
23. Interest				\$0.39				
24. Total Revenue	\$361,770.00			\$80,000.00				
25. State Advancement	\$60,000.00							
26.								
27. Total Receipts (Total lines 12 through 26)	\$421,770.00	\$18,151.26	\$111,805.18	\$102,357.66	\$80,412.07	\$229,632.16		

Copy the figures shown on line 27 in the Budget Estimate column to the Summary on page 1, column 1, line 1. Copy the figures shown on line 27 in the Total YTD column to page 1, column 2, line 1. Copy the figure shown on line 27 in the Receivable column to page 1, line 1.

LESLIE COUNTY
FORMER SHERIFF'S QUARTERLY REPORT
(Continued)

LF 1132.001 Rev. 10/09

Part Three Disbursements	Budget Estimate	1/1 thru 3/31	4/1 thru 6/30	7/1 thru 9/30	10/1 thru 12/31	Total YTD	Unpaid Obligations 12/31	Settlement Total
Official Expenses								
1. Personal Services								
2. Sheriff's Gross Salary	\$84,000.00		\$28,410.59	\$18,960.00	\$3,160.00	\$50,530.59		
3. Deputies' Gross Salaries	\$130,000.00		\$50,627.29	\$34,024.36	\$4,011.04	\$88,662.69		
4. Kieff Overtime			\$214.57	\$98.34	\$512.91	\$825.82		
5. Other Gross Salaries	\$67,000.00		\$23,325.33	\$15,764.00	\$3,393.00	\$42,482.33		
6. KLEFP	\$18,000.00	\$2,456.96	\$3,685.44	\$3,660.44	\$1,964.08	\$11,766.92		
7. Overtime Gross	\$0.00							
8. Employee Benefits								
9. Employer's Share Social Security	\$0.00							
10. Employer's Share Retirement	\$0.00							
11. Employer's Share Haz. Duty Ret.	\$0.00							
12. Employer's Workmans Compensation	\$0.00							
13. Employer's Unemployment Ins.	\$0.00							
14. Employer Paid Health Ins.	\$0.00							
15. Training Fringe Benefit (118810)	\$1,000.00							
16. Contracted Services	\$800.00							
17. Vehicle maintenance and repairs	\$18,000.00	\$2,766.51	\$6,138.42	\$11,507.26	\$6,290.19	\$26,702.38		
18. Supplies and Materials (Fungible items with limited lifespan)								
19. Office Materials and supplies	\$4,500.00	\$485.21	\$1,032.43	\$703.67	\$1,098.93	\$3,320.24		
20. Uniforms	\$5,000.00		\$274.88			\$274.88		
21. Equipment	\$10,000.00		\$1,360.42	\$11,308.05	\$260.00	\$12,928.47		
Convention	\$600.00							
22. Data Expenses for Taxes	\$4,000.00				\$2,315.00	\$2,315.00		
Mileage on Personal Vehicles	\$600.00							
23. Dues	\$500.00							
24. AOC FEES	\$2,200.00							
25. Office Materials and supplies	\$3,200.00	\$729.80	\$999.34	\$1,138.43	\$1,134.31	\$4,001.88		
26. Cell Phone	\$500.00							
27. Jury Food	\$800.00	\$325.63	\$60.10	\$196.00	\$5,840.81	\$6,422.54		
28. Postage			\$838.63	\$419.55	\$316.37			
Reimbursement				\$15.00	\$392.92			
Bank Charge		\$82.15	\$1,022.06	\$1,203.64		\$2,307.85		
29. Training				\$277.25		\$277.25		
30. Gas	\$770.00							
31. Courthouse Fees	3,000							
Transfer Expense								
1. Fiscal Court			\$1,000.00	\$1,780.00	\$100.00	\$2,880.00		
					\$1,042.56	\$1,042.56		

Part Three -- Fee Account Disbursements

Sheriff's Budget and Report

LESLIE COUNTY
FORMER SHERIFF'S QUARTERLY REPORT
(Continued)

Part Three Disbursements	Budget Estimate	1/1 thru 3/31	4/1 thru 6/30	7/1 thru 9/30	10/1 thru 12/31	Total YTD	Unpaid Obligations (223)	Settlement Total
34. Auto Expenses on Personal Vehicles								
35. Gasoline								
36. Maintenance and repairs								
37. Insurance								
38. Depreciation								
39.								
40. Debt Service (borrowed money, interest, lease purchases)								
41. State Advancement								
42. Notes								
43. Interest								
44.								
45. Capital Outlay (outright purchases of tangible items lasting in nature)								
46. Office Equipment	\$1,000.00							
47. Vehicles	\$9,000.00							
48. Misc.								
49.								
50. Total Official Expenses	\$361,770.00	\$6,846.26	\$118,989.50	\$101,055.99	\$31,832.12	\$256,741.40		
For offices that fee pool, pay fees to county prior to December 31, or counties over 70,000 in population, show payments on appropriate line below								
51. Payments to County Treasurer	\$60,000.00							
52. Payments to State Treasurer	\$0.00							
53. Total Disbursements (Total lines 46, 51, and 52)	421,770	\$6,846.26	\$118,989.50	\$101,055.99	\$31,832.12	\$256,741.40		

COPY: (the figures shown on line 53 in the Budget Estimate column to the Summary on page 1, column 1, line 2. Copy the figure shown on line 53 in the Total YTD column to page 1, column 2, line 2. Copy the figure shown on line 53 in the Unpaid column to page 1, column 3, line 2.)

LESLIE COUNTY
FORMER SHERIFF'S QUARTERLY REPORT
(Continued)

Part Four - Liabilities Outstanding

Quarter ended _____

Multi-year Issues	Issue	Issue	Totals
Where Budgeted			
Description			
Term (# of Years)			
Current Interest Rate			
Issue Date			
Total Principal Amount			
Total Interest Amount			
Total Issue			
Principal Balance Remaining			
Interest Balance Remaining			
Less Reserve Earnings			
Net Outstanding			
Next Payment Date			
Next Payment Amount			
Final Payment Date			
Short Term Liabilities	Issue	Issue	
Where Budgeted			
Description			
Term			
Current Interest Rate			
Issue Date			
Total Principal Amount			
Total Interest Amount			
Total Issue			
Principal Balance Remaining			
Interest Balance Remaining			
Total Outstanding			
Next Payment Date			
Next Payment Amount			
Final Payment Date			
Total Outstanding Debt	(If no outstanding advances, loans, leases, or other debt, show "\$0")		

Comments:

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*



MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Jimmy Sizemore, Leslie County Judge/Executive
The Honorable Paul Howard, Former Leslie County Sheriff
The Honorable Delano Huff, Leslie County Sheriff
Members of the Leslie County Fiscal Court

**Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards**

Independent Auditor's Report

We were engaged to audit the Statement of Receipts, Disbursements, and Excess Fees - Regulatory Basis of the former Leslie County Sheriff for the year ended December 31, 2014, and have issued our report thereon dated March 17, 2016 wherein we disclaimed an opinion on the financial statement because the former Leslie County Sheriff failed to maintain adequate accounting records and lacked adequate internal controls resulting in high audit risk.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the former Leslie County Sheriff's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing out opinions on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the former Leslie County Sheriff's internal control. Accordingly, we do not express an opinion on the effectiveness of the former Leslie County Sheriff's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying comments and recommendations, we identified certain deficiencies in internal control that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying comments and recommendations as items 2014-001, 2014-002, 2014-003, 2014-005, 2014-006, 2014-007, and 2014-010 to be material weaknesses.



Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With *Government Auditing Standards*
(Continued)

Internal Control Over Financial Reporting (Continued)

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying comments and recommendations as items 2014-004 and 2014-011 to be significant deficiencies.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the former Leslie County Sheriff's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying comments and recommendations as items 2014-001, 2014-003, 2014-004, 2014-005, 2014-007, 2014-008, 2014-009, 2014-010, 2014-011, 2014-012, 2014-013, 2014-014, 2014-015, 2014-016, and 2014-017.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Mike Harmon', followed by a horizontal line.

Mike Harmon
Auditor of Public Accounts

March 17, 2016

COMMENTS AND RECOMMENDATIONS

LESLIE COUNTY
PAUL HOWARD, FORMER SHERIFF
COMMENTS AND RECOMMENDATIONS

For The Year Ended December 31, 2014

FINANCIAL STATEMENT FINDINGS:

2014-001 The Former Sheriff Did Not Maintain Or Provide Sufficient And Accurate Financial Records
In A Timely Manner

The former Sheriff did not maintain or provide complete and accurate financial records in a timely manner. The former Sheriff's bookkeeper was notified by phone on July 23, 2015 the audit of the fee account had begun and financial records were needed. On October 2, 2015, the former Sheriff's bookkeeper provided receipt and disbursement ledgers for eleven months and an unsigned Quarterly Financial Report. No bank reconciliations were provided and a substantial portion of disbursement documentation was also not available. The former Sheriff did not present an annual financial statement to the fiscal court and did not provide a Quarterly Financial Report to the Department for Local Government for any quarter in calendar year 2014.

Due to the former Sheriff's lack of management oversight and weak internal controls, including a lack of adequate segregation of duties, sufficient and accurate financial records were not prepared, maintained or provided to taxpayers, the fiscal court, the Department for Local Government, or the Auditor of Public Accounts in a timely manner.

Further review of financial records obtained from both the former Sheriff and third parties disclosed the following deficiencies existed within the former Sheriff's office:

- Deposits were not made intact, on a timely basis (comment #2014-003).
- Receipts were not consistently issued for fee collections (comment #2014-004).
- Disbursements totaling \$18,175 were not properly documented, reasonable or necessary, and for the public purposes of the former Sheriff's office (comment #2014-005).
- Payroll expenses totaling \$104,165 were not properly paid to the fiscal court (comment #2014-006).
- Operating disbursements exceeded approved budgeted disbursements by \$78,841 (comment #2014-007).
- Operating disbursements exceeded fee account receipts by \$1,686 (comment #2014-007).

KRS 134.160(2)(a) and (c) state, in part, "[t]he sheriff shall keep an accurate account of all moneys received and all disbursements made... [and] The sheriff shall balance all accounts on a monthly basis." KRS 68.210 gives the State Local Finance Officer the authority to administer the county uniform budget system, which includes the requirements to issue triplicate receipts for all fee collections, and deposit all monies received intact and on a timely basis.

In addition, the former Sheriff was required to submit the Quarterly Financial Report to the State Local Finance Officer no later than 30 days following the close of the quarter. For calendar year 2014, the fourth quarterly financial report was due by January 30, 2015. KRS 64.100 required the former Sheriff to, "keep an accurate account of all fees collected by him from all sources." KRS 64.830(2) states, in part, "[e]ach outgoing official shall make a final settlement with the fiscal court of his county by March 15 immediately following the expiration of his term of office for all money received by him as county official." Further, effective internal controls should have required the former Sheriff's office to prepare necessary records on a timely basis so that sufficient and accurate financial reports could be provided to the fiscal court, the Department for Local Government, and the Auditor of Public Accounts in a timely manner.

LESLIE COUNTY
PAUL HOWARD, FORMER SHERIFF
COMMENTS AND RECOMMENDATIONS
For The Year Ended December 31, 2014
(Continued)

FINANCIAL STATEMENT FINDINGS: (CONTINUED)

2014-001 The Former Sheriff Did Not Maintain Or Provide Sufficient And Accurate Financial Records
In A Timely Manner (Continued)

Auditors have determined the risk of fraud to be too high to issue an opinion, and we were unable to apply other audit procedures to overcome this risk due to incomplete financial records. In addition, the former Sheriff's office had serious weaknesses in the design and operation of its internal control structure and accounting functions. As a result, we were unable to express an opinion on the former Sheriff's financial statement. The former Sheriff should have complied with the uniform system of accounts by issuing receipts, preparing bank reconciliations, preparing annual and quarterly financial statements, and by maintaining complete and accurate receipts and disbursements ledgers.

Former Sheriff's Response: No Response.

2014-002 The Former Sheriff's Office Lacked Adequate Segregation Of Duties Over Receipts,
Disbursements, And Reconciliations

The former Sheriff's office lacked adequate segregation of duties over receipts, disbursements, and bank reconciliations. These control deficiencies existed because office clerks had the responsibility of preparing daily receipts, daily checkout sheets and deposits, posting daily checkout sheets to the receipt ledger, and preparing and posting disbursements to the ledger. The part-time office manager/bookkeeper could also prepare deposits, post to the receipt ledger, prepare and post disbursements to the ledger, and prepare the monthly bank reconciliation and quarterly reports.

No documentation of any compensating controls procedures were identified on available source documents. Further, receipt ledgers, disbursement ledgers, and an unsigned copy of the former Sheriff's quarterly report were not made available to auditors until a substantial portion of the audit had been completed.

A proper segregation of duties over accounting functions is essential for preventing asset misappropriation and inaccurate financial reporting. In addition, proper segregation of duties protects employees in the normal course of performing their daily responsibilities. Budget restrictions may have limited the number of staff the former Sheriff could hire. As a result it may not have been feasible to segregate accounting duties to different employees.

In this situation, strong oversight over receipts, disbursements, and reconciliations should have been performed by an employee not currently performing any of those processes. The former Sheriff should have segregated duties or implemented effective compensating controls to offset this weakness. If the former Sheriff chose to implement compensating controls, the former Sheriff should have documented his oversight on the appropriate source documents. The following are examples of other controls the former Sheriff could have implemented:

- The former Sheriff could have periodically recounted and deposited cash receipts. This could have been documented by initialing the daily checkout sheet and deposit ticket.
- The former Sheriff could have reviewed supporting documentation for all disbursements. His review could have been documented by initialing the invoice.

LESLIE COUNTY
 PAUL HOWARD, FORMER SHERIFF
 COMMENTS AND RECOMMENDATIONS
 For The Year Ended December 31, 2014
 (Continued)

FINANCIAL STATEMENT FINDINGS: (CONTINUED)

2014-002 The Former Sheriff's Office Lacked Adequate Segregation Of Duties Over Receipts, Disbursements, And Reconciliations (Continued)

- The former Sheriff could have required two signatures on all disbursement checks, one belonging to the former Sheriff.
- The former Sheriff could have received bank statements unopened and reviewed the statements for any unusual items prior to giving them to the individual performing the bank reconciliations.
- The former Sheriff could have periodically reviewed the bank reconciliation and compared it to the balance in the ledger. Any differences should have been reconciled. This could have been documented by initialing the bank statement, bank reconciliation, and the ledger.
- The former Sheriff could review quarterly reports for accuracy. This could be documented by initialing the reports and the ledger.

Former Sheriff's Response: No Response.

2014-003 Deposits Were Not Made Intact On A Timely Basis

The former Sheriff's official fee account for calendar year 2014 was not opened until January 16, 2014. The first deposit to this account was dated on January 24, 2014, but did not clear the bank until January 27, 2014. Additional review of the former Sheriff's fee account noted deposits were infrequent, inconsistent, and contained minimal amounts of cash. The following schedule displays the number of deposits per month, and the amount of cash and checks deposited during each month.

Month	# of deposits	Unknown ^a	Cash	Checks	Total
January	2	\$ 335	\$ 25	\$ 1,410	\$ 1,770
February	5		110	\$ 2,165	2,275
March	7		95	\$ 14,012	14,107
April	7		35	\$ 84,301	84,336
May	7			\$ 4,963	4,963
June	5		5	\$ 22,662	22,667
July	10		20	\$ 64,038	64,058
August	8			\$ 12,447	12,447
September	7			\$ 25,942	25,942
October	11		156	\$ 15,847	16,003
November	7		212	\$ 8,367	8,579
December	7		545	\$ 58,246	58,791
		<u>\$ 335</u>	<u>\$ 1,203</u>	<u>\$ 314,400</u>	<u>\$ 315,938</u>

^a January 2014 bank statement includes a deposit of \$335 with no copy of deposit ticket.

LESLIE COUNTY
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COMMENTS AND RECOMMENDATIONS
For The Year Ended December 31, 2014
(Continued)

FINANCIAL STATEMENT FINDINGS: (CONTINUED)

2014-003 Deposits Were Not Made Intact On A Timely Basis (Continued)

Further, comment #2014-004 describes instances in which auto inspections were performed, but receipts were not issued. When one receipt was prepared, it was dated June 5, 2014 and recorded payment for inspections performed on June 3 and June 5, 2014.

KRS 64.840(1) states, in part, “all county officials shall, upon the receipt of any fine, forfeiture, tax, or fee, prepare a receipt that meets the specifications of the state local finance officer.” KRS 68.210 gives the State Local Finance Officer the authority to prescribe a uniform system of accounts. This uniform system of accounts, as outlined in the *County Budget Preparation and State Local Finance Officer Policy Manual*, has established minimum requirements for the handling of public funds, which includes daily deposits. Effective internal controls over receipt preparation and recording requires receipts be issued for all collections in a timely manner and batched daily.

The former Sheriff’s lack of management oversight and weak internal controls, marked by a lack of adequate segregation of duties, did not ensure deposits were made daily and intact. Consequently, the possibility exists that all collections were not recorded or deposited. As a result, monies available for the lawful expenses of the former Sheriff’s office may be understated. The former Sheriff should have strengthened internal controls to ensure receipts were issued and deposits were made intact on a timely basis. We will refer this finding to the Office of the Attorney General.

Former Sheriff’s Response: No Response.

2014-004 The Former Sheriff’s Office Did Not Issue Receipts For All Automobile Inspections

A two month comparison of automobile inspections receipts issued by the former Sheriff’s office to automobile inspection documents on file in the County Clerk’s office determined the former Sheriff’s office did not issue receipts for all automobile inspections performed. During the two month period, 26 inspections were performed by employees of the former Sheriff’s office, but only one receipt, for five inspections, at \$5 each, was issued. Triplicate receipts for the remaining 21 automobile inspections could not be found. Additional inspection noted the signature of one employee is not consistent on all automobile inspections bearing his name as certified inspector.

KRS 186A.115(1)(b) sets the fee for automobile inspections performed in accordance with KRS 186A.115(1)(a) at \$5 payable to the Sheriff’s office. In addition KRS 64.840(1) states, in part, “all county officials shall, upon the receipt of any fine, forfeiture, tax, or fee, prepare a receipt that meets the specifications of the state local finance officer.” Effective internal controls also require a personal signature be provided only by the applicable certified inspector.

Based on the criteria above, the former Sheriff’s office should have collected an additional \$105 for auto inspections. This amount could have been larger if all auto inspections recorded in the Clerk’s office for the audit period were compared to the former Sheriff’s copies of triplicate receipts. The former Sheriff’s lack of management oversight and weak internal controls, marked by a lack of adequate segregation of duties, failed to verify receipts were issued for all services performed. It is also possible that inspection documentation was not properly prepared by the certified inspector identified.

LESLIE COUNTY
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 COMMENTS AND RECOMMENDATIONS
 For The Year Ended December 31, 2014
 (Continued)

FINANCIAL STATEMENT FINDINGS: (CONTINUED)

2014-004 The Former Sheriff's Office Did Not Issue Receipts For All Automobile Inspections
 (Continued)

We recommend the former Sheriff deposit personal funds of \$105 to the fee account for these auto inspections. The former Sheriff should have implemented controls to ensure collections were made for all auto inspections performed, and receipts were issued for all collections made. We will refer this finding to the Kentucky Transportation Cabinet for additional review.

Former Sheriff's Response: No Response.

2014-005 The Former Sheriff's Office Spent Fee Receipts On Disallowed Disbursements Totaling \$18,175

The former Sheriff used funds from his official fee account to make disbursements not supported with receipts or invoices, and to pay expenses that were not reasonable or necessary for the former Sheriff's office, totaling \$18,175. In addition, the former Sheriff used fee account monies to loan the former Sheriff's "special events" (i.e. donation) account \$2,620, of which \$1,195 was not repaid to the former Sheriff's fee account. The following schedule provides detail of these disallowed disbursements:

Disbursements without adequate supporting documentation:

Checks written to vendors:	\$	3,817
Checks written to employees of former Sheriff's office:		7,597
Checks payable to "Cash" and endorsed by employees:		4,728

Disbursements not reasonable or necessary :

Late charges on cell phones:		4
Food items, alcoholic beverages, Christmas cards, bank charges and payment to citizen for tax bill:		834
Unreimbursed loans to Special Events Account:		1,195

Total disallowed disbursements from Fee Account:	\$	18,175
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Review of disbursement documentation available also noted 21 payments were not made within 30 working days and documentation was not effectively cancelled to prevent duplicate payments.

In Funk v. Milliken, 317 S.W. 2d 499 (Ky. 1958), Kentucky's highest court ruled that county fee officials' disbursements of public funds will be allowed only if they are necessary, adequately documented, reasonable in amount, beneficial to the public, and not primarily personal in nature. Late charges and bank service charges are not necessary or beneficial to the public and are indicative of internal control weaknesses over accounting procedures. Loans from the fee account are not an allowable use of fee account monies and doing so commingles revenue sources. KRS 64.850 states, "It shall be unlawful for any county official to deposit public funds with individual or private funds in any bank or other depository or for any such official to withdraw public funds for any purpose other than that for which they were received and deposited." KRS 65.140 requires all bills for goods or services to be paid within thirty (30) working days.

LESLIE COUNTY
 PAUL HOWARD, FORMER SHERIFF
 COMMENTS AND RECOMMENDATIONS
 For The Year Ended December 31, 2014
 (Continued)

FINANCIAL STATEMENT FINDINGS: (CONTINUED)

2014-005 The Former Sheriff's Office Spent Fee Receipts On Disallowed Disbursements Totaling \$18,175 (Continued)

The former Sheriff's lack of management oversight and weak internal controls, including a lack of adequate segregation of duties, allowed undocumented, unreasonable and unnecessary disbursements totaling \$18,175 to be paid from official fee account monies. The former Sheriff should have avoided disbursements that did not comply with Funk v. Milliken. Internal controls over accounting procedures should have been implemented to ensure disbursements were adequately documented, made timely, and fee monies were not commingled with donated monies. The former Sheriff should deposit personal funds of \$18,175 to cover these disbursements, which are included in the amount due personally from the former Sheriff described in comment #2014-010. The remaining cash balance of \$299 in the Special Events account, as of December 31, 2014, may be used to partially repay the loan from the fee account to the Special Events account. This will reduce the amount due personally from the former Sheriff.

Former Sheriff's Response: No Response.

2014-006 The Former Sheriff Did Not Reimburse The Fiscal Court For Payroll Expenses Totaling \$104,165

During calendar year 2014, the former Sheriff's office was responsible for funding gross payroll for the former Sheriff, office staff, and all deputies except two that were funded by the fiscal court. Timesheets were prepared and maintained by the former Sheriff's staff. At the end of each pay period, the former Sheriff's office staff calculated hours worked and provided this information to the County Treasurer. The County Treasurer would process payroll for the former Sheriff's office, and the former Sheriff's office should have remitted payment for gross wages to the county. However, by review of payroll records, the following occurred:

- The former Sheriff's office did not remit payment to the county for ten payroll periods, totaling \$104,165 throughout calendar year 2014. Of this amount, \$31,600 was gross wages to the former Sheriff, and \$72,565 was gross wages paid to deputies and employees.
- In addition to the 10 payroll periods the former Sheriff did not remit payment, the former Sheriff's office failed to remit payment for gross payroll to the county on a timely basis on 14 occasions. Payments from the former Sheriff's office to the county were delayed one to three months after the pay dates.

Effective internal controls require timely payments of gross payroll to the fiscal court. Further, budgeting procedures should verify sufficient funds are or will be available to support payroll costs. As a result of the former Sheriff's lack of management oversight and weak internal controls, the fiscal court did not receive reimbursement of payroll expenses totaling \$104,165. These payroll expenses contribute to the amount due from the former Sheriff. The former Sheriff should work with the fiscal court to resolve the remaining payroll amount due from the 2014 fee account.

Former Sheriff's Response: No Response.

LESLIE COUNTY
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COMMENTS AND RECOMMENDATIONS
For The Year Ended December 31, 2014
(Continued)

FINANCIAL STATEMENT FINDINGS: (CONTINUED)

2014-007 The Former Sheriff's Operating Disbursements Exceeded Amount Budgeted And Exceeded Recorded Fee Receipts

In calendar year 2014, actual operating disbursements exceeded the budgeted amount approved by the fiscal court by \$78,841. The former Sheriff did not obtain a budget amendment to increase allowable budgeted disbursements.

In addition, actual disbursements for operating expenses exceeded recorded fee receipts by \$1,686. This means the former Sheriff did not record sufficient receipts or deposit enough cash to fund allowable operating disbursements.

KRS 68.210 gives the State Local Finance Officer the authority to prescribe a system of uniform accounts for all counties and county officials. This uniform system of accounts, as outlined in the *County Budget Preparation and State Local Finance Officer Policy Manual*, requires the fiscal court to approve a calendar year budget for each fee office as a component of the county's budget preparation process by January 15 of each year. Further, effective internal controls require the former Sheriff's office to monitor operating disbursements, in comparison to the approved budget and available cash, to ensure operating disbursements are within budgeted amounts and sufficient fee account monies exist to pay operating disbursements. Any necessary budget amendments should be submitted to the fiscal court for approval before the end of the calendar year.

The former Sheriff's lack of management oversight and weak internal controls, including a lack of adequate segregation of duties, did not ensure effective monitoring or timely reconciliations occurred. As a result, the former Sheriff's operating disbursements exceeded approved budgeted disbursements, and the former Sheriff is personally responsible for the excess of disbursements over fee receipts totaling \$83,817. The former Sheriff should have implemented internal controls to monitor actual expenses throughout the year to ensure operating disbursements were within budgeted amounts and sufficient fee account receipts were available to fund amounts due. Any necessary budget amendments should have been requested as necessary from the fiscal court before year end. The former Sheriff should personally deposit \$83,817 to the fee account to cover the disbursements in excess of receipts for calendar year 2014 as described in comment #2014-010.

Former Sheriff's Response: No Response.

LESLIE COUNTY
 PAUL HOWARD, FORMER SHERIFF
 COMMENTS AND RECOMMENDATIONS
 For The Year Ended December 31, 2014
 (Continued)

FINANCIAL STATEMENT FINDINGS: (CONTINUED)

2014-008 The Former Sheriff's Donation Account Was Not In Compliance With KRS 61.310(8)

The former Sheriff solicited and received donations totaling \$4,870 during calendar year 2014 to fund a Drug Awareness Camp. These donations were deposited into a separate "special events" bank account administered by the former Sheriff's office. KRS 61.310(8) allows a Sheriff to accept donations of money or goods as long as they are used for the public purposes of his office. While a drug awareness camp may be beneficial to the community, it is not a public purpose of the Sheriff's office. Therefore, this type of activity should not have been maintained and operated by the former Sheriff's office, but should have been operated completely external to the former Sheriff's office and administered by a private or not-for-profit entity. Ineffective management oversight of the former Sheriff's office operations allow this noncompliance to occur, and donations were utilized for disbursements other than the public purposes of the former Sheriff's office. While the former Sheriff may have participated in the activity, the activity should not have been performed during regularly scheduled work hours. The former Sheriff's office should have discontinued the practice of using donations to his office for the Drug Awareness Camp.

Former Sheriff's Response: No Response.

2014-009 The Former Sheriff Spent Donated Monies On Disallowed Disbursements Totaling \$2,332

Review of the special events account (maintained for funds donated for the former Sheriff's Drug Awareness Camp) noted the following disallowed disbursements:

Disbursements without adequate supporting documentation:	\$	2,004
Disbursements not reasonable or necessary:		
T-shirts for softball fundraiser		317
Bank charges		11
Total disallowed disbursements from Special Events Account	\$	<u>2,332</u>

Proper maintenance of donated monies requires compliance with KRS 61.310(8) that allows donations be accepted if they are used for public purposes of the office. As such, items without adequate supporting documentation, or those not related to the former Sheriff's Drug Awareness Camp, do not meet the necessary criteria. Lack of internal controls over the disbursement process allowed checks to be written for purchases not related to the Drug Awareness Camp and did not require the former Sheriff's office to sufficiently document the purpose for other checks, some written to employees of the former Sheriff's office or to "Cash." The former Sheriff should have complied with KRS 61.310(8) by ensuring donated funds were only expended for public purposes. The former Sheriff should deposit personal funds totaling \$2,332 for disallowed disbursements from the special events account.

Former Sheriff's Response: No Response.

LESLIE COUNTY
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 COMMENTS AND RECOMMENDATIONS
 For The Year Ended December 31, 2014
 (Continued)

FINANCIAL STATEMENT FINDINGS: (CONTINUED)

2014-010 The Former Sheriff Is Personally Responsible For \$101,992 To His Fee Account And \$2,332 To His Donated Funds Account

As noted below, receivables should be collected and liabilities paid in order to properly settle the 2014 fee account and donated funds account. The former Sheriff is personally responsible for an amount of \$101,992 to his fee account and \$2,332 to his donated funds account, for a total of \$104,324.

Fee Account Cash in Bank as of July 20, 2015	\$	15,829
Receivables:		
Due From 2011 Fee Account for Tax Commissions		769
Due From Former Sheriff for Undeposited Auto Inspection Receipts		105
Liabilities:		
Horton's Hardware (reissue outstanding checks)		(6)
Payroll Due To Fiscal Court		(104,165)
Administrative Fees Due To Fiscal Court		(2,190)
Tax Commissions Due To 2014 Outgoing Tax Account		(6,772)
Tax Commissions Due To 2014 Gas And Oil Tax Account		<u>(5,562)</u>
Total Personally Due From Former Sheriff To Fee Account		(101,992)
Total Personally Due From Former Sheriff To Donated Funds Account		<u>(2,332)</u>
Total CY 2014 Deficit Due Personally From Former Sheriff	\$	<u>(104,324)</u>

Effective internal controls require errors be corrected in a reasonable time frame after detection. The former Sheriff's lack of management oversight and weak internal controls, including a lack of adequate segregation of duties failed to detect fee account reporting errors and identify unpaid liabilities. Weak internal controls allowed improper disbursements to be made from the donation account that were not for public purposes. We recommend the former Sheriff deposit personal funds of \$101,992 to the fee account and settle all remaining receivables and liabilities. The \$101,992 includes the fee account deficit of \$83,817 and disallowed disbursements of \$18,175.

We also recommend the former Sheriff personally deposit \$2,332 to the "Special Events" account to cover disallowed disbursements. The remaining cash balance of \$299 in the Special Events account, as of December 31, 2014, may be used to partially repay the loan from the fee account to the Special Events account. This will reduce the amount due personally from the former Sheriff to the fee account. We will refer this finding to the Office of the Attorney General and the Leslie County Attorney.

Former Sheriff's Response: No Response.

LESLIE COUNTY
 PAUL HOWARD, FORMER SHERIFF
 COMMENTS AND RECOMMENDATIONS
 For The Year Ended December 31, 2014
 (Continued)

FINANCIAL STATEMENT FINDINGS: (CONTINUED)

2014-011 Additional Fees Of \$2,190 Were Not Properly Remitted To The Fiscal Court

The former Sheriff's office collected additional fees, as required by Ordinance #12-3107, totaling \$2,190. As permitted by KRS 64.091, these fees were assessed by the Leslie County Fiscal Court on subpoenas and civil summons served by the Leslie County Sheriff, for the purpose of paying expenses for the courthouse, bonds related to it, and the administration thereof. The former Sheriff's office collected these additional fees from citizens, as applicable. However, the former Sheriff's office did not remit these fees to the fiscal court. The former Sheriff's lack of management oversight and weak internal controls, marked by a lack of adequate segregation of duties, failed to ensure collections made on behalf of the fiscal court were properly remitted to the fiscal court. As a result, fees totaling \$2,190 are due to the County. The former Sheriff should have implemented controls to ensure all fees collected were properly reported and remitted in a timely manner.

Former Sheriff's Response: No Response.

2014-012 The Former Sheriff Has Not Settled 2013 Fee Account Receivables, Liabilities, And Deficit Or The Donation Account Deficit Due Per Audit

The following 2013 fee audit receivables and liabilities have not been properly settled:

2013 Fee Account Bank Balance As Of July 31, 2015		\$	1,281
Receivables Due:			
Due From County Attorney	\$	108	
Telecommunication Commission Due From 2011 Fee		769	
Due From Former Sheriff for Undeposited Auto Inspections		<u>235</u>	1,112
Liabilities Due:			
2013 Payroll Paid From 2012 Fee Account	\$	(11,063)	
December 2013 Payroll Due To Fiscal Court		<u>(10,711)</u>	<u>(21,774)</u>
Fee Account Deficit Due Personally From Former Sheriff			(19,381)
Donation Deficit Due Personally From Former Sheriff			<u>(1,784)</u>
Total CY 2013 Deficit Due Personally From Former Sheriff			<u><u>\$ (21,165)</u></u>

KRS 134.192(12) states, in part, "the sheriff shall pay to the governing body of the county any fees, commissions, and other income of his or her office." The former Sheriff did not personally deposit funds to cover the deficit amount noted. As a result, the former Sheriff did not collect the funds necessary to repay the fiscal court and the 2012 fee account for payroll expenses in a timely manner.

LESLIE COUNTY
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 COMMENTS AND RECOMMENDATIONS
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 (Continued)

FINANCIAL STATEMENT FINDINGS: (CONTINUED)

2014-012 The Former Sheriff Has Not Settled 2013 Fee Account Receivables, Liabilities, And Deficit
 Or The Donation Account Deficit Due Per Audit (Continued)

We recommend the former Sheriff personally deposit \$19,381 to the 2013 fee account. After this deposit is made, the former Sheriff should deposit the receivables identified above and remit remaining liabilities to the fiscal court and 2012 fee account. The former Sheriff should also personally deposit \$1,784 to the donation account to cover disallowed expenditures. We will refer this finding to the Office of the Attorney General and the Leslie County Attorney.

Former Sheriff's Response: No Response.

2014-013 The Former Sheriff Has Not Settled 2012 Fee Account Receivables, Liabilities, And Deficit
 Or The Donation Account Deficit Due Per Audit

The following 2012 fee account receivables, liabilities and deficit and donation account deficit have not properly settled:

2012 Fee Account Bank Balance As Of July 31, 2015	\$	5,506
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Receivables Due:

Due From 2013 Fee Account (for payroll dated 1/9/13)	\$	11,063	
Due From 2011 Fee Account (telecomm commissions)		<u>721</u>	11,784

Liabilities Due:

Additional Interest Earned Due Fiscal Court	\$	(5)	
Commissions Due 2013 Unmined Coal Tax Account		(164)	
Payroll Expenses Due To 2011 Fee Account		(865)	
Excess Fees Due Fiscal Court		<u>(17,547)</u>	<u>(18,581)</u>

Fee Account Deficit Due Personally From Former Sheriff		(1,291)
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Donation Deficit Due Personally From Former Sheriff		<u>(374)</u>
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Total CY 2012 Deficit Due Personally From Former Sheriff	\$	<u>(1,665)</u>
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KRS 134.192(12) states, in part, "the sheriff shall pay to the governing body of the county any fees, commissions, and other income of his or her office." The former Sheriff did not personally deposit funds to cover the deficit amounts noted in either the fee account or the donation account. As a result, the former Sheriff did not repay commissions, payroll expenses, and excess fees to the former Sheriff's tax account, fee account, and fiscal court, respectively. The balance in the donation account is understated because the former Sheriff has not personally repaid the deficit amount.

LESLIE COUNTY
 PAUL HOWARD, FORMER SHERIFF
 COMMENTS AND RECOMMENDATIONS
 For The Year Ended December 31, 2014
 (Continued)

FINANCIAL STATEMENT FINDINGS: (CONTINUED)

2014-013 The Former Sheriff Has Not Settled 2012 Fee Account Receivables, Liabilities, And Deficit
 Or The Donation Account Deficit Due Per Audit (Continued)

We recommend the former Sheriff personally deposit \$1,291 to the 2012 fee account to cover the deficit amount. After this deposit is made, the former Sheriff should deposit the receivables identified above and remit remaining liabilities, including the excess fees due to the fiscal court. The former Sheriff should also personally deposit \$374 to the donation account to cover disallowed disbursements. We will refer this finding to the Office of the Attorney General and the Leslie County Attorney.

Former Sheriff's Response: No Response.

2014-014 The Former Sheriff Has Not Settled 2011 Fee Account Receivables, Liabilities, And Deficit
 Or The Donation Account Deficit Due Per Audit

The following 2011 receivables and liabilities have not been properly settled:

2011 Fee Account Bank Balance As Of July 31, 2015	\$	2,562
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Receivables Due:

Interest Due From 2010 Tax Account	\$	152	
Interest Due From 2010/2011 UMC Tax Account		89	
Due From 2010 Fee Account			
Telecommunication Commissions	\$	512	
Expense Reimbursements		510	
Payroll Reimbursement		3,754	4,776
Payroll Reimbursement Due From 2012 Fee Account			865
Tax Commissions Due From 2010 Tax Account		955	6,837

Liabilities Due:

Outstanding Check To Be Reissued	(20)	
Liabilities Noted Per Audit:		
Telecommunications Commissions Due To 2012 Fee Acct	(721)	
Telecommunications Commissions Due To 2013 Fee Acct	(769)	
Telecommunications Commissions Due To 2014 Fee Acct	(769)	
Telecommunications Commissions Due To 2015 Fee Acct	(1,793)	
Tax Commissions Due To 2010 UMC Account	(225)	
Excess Fees Due County	(6,622)	(10,919)

Fee Account Deficit Due Personally From Former Sheriff	(1,520)
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LESLIE COUNTY
 PAUL HOWARD, FORMER SHERIFF
 COMMENTS AND RECOMMENDATIONS
 For The Year Ended December 31, 2014
 (Continued)

FINANCIAL STATEMENT FINDINGS: (CONTINUED)

2014-014 The Former Sheriff Has Not Settled 2011 Fee Account Receivables, Liabilities, And Deficit
 Or The Donation Account Deficit Due Per Audit (Continued)

Donation Deficit Due Personally From Former Sheriff	\$ (1,668)
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Total CY 2011 Deficit Due Personally From Former Sheriff	\$ (3,188)
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KRS 134.192(12) states, in part, “the sheriff shall pay to the governing body of the county any fees, commissions, and other income of his or her office.” The former Sheriff did not personally deposit funds to cover the deficit amounts noted in either the fee account or the donation account, or collect the receivables due from various accounts. As a result, the former Sheriff did not remit monies to vendor, commissions to multiple fee and tax accounts, or excess fees due to the fiscal court. The balance in the donation account is understated because the former Sheriff has not personally repaid the deficit amount.

We recommend the former Sheriff personally deposit \$1,520 to the 2011 fee account to cover the deficit amount. After this deposit is made, the former Sheriff should deposit the receivables identified above and remit remaining liabilities, including the excess fees due to the fiscal court. The former Sheriff should also personally deposit \$1,668 to the donation account to cover disallowed disbursements. We will refer this finding to the Office of the Attorney General and the Leslie County Attorney.

Former Sheriff's Response: No Response.

2014-015 The Former Sheriff Has Not Settled 2010 Fee Account Receivables, Liabilities, And Deficit
 Due Per Audit

The following 2010 receivables and liabilities have not been properly settled:

2010 Fee Account Bank Balance As Of July 31, 2015	\$ 1,093
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Receivables Due:

Disbursement Reimbursement From 2009 Fee Account	\$ 1,897	
Payroll Reimbursement From 2009 Fee Account	<u>11,727</u>	13,624

Liabilities Due:

Telecommunications Taxes Due To 2009 Fee Account	(256)	
Disbursement Reimbursement Due to 2011 Fee Account	(510)	
Telecommunications Taxes Due To 2011 Fee Account	(512)	
Payroll Reimbursement Due To 2011 Fee Account	(3,754)	
Tax Commissions Due To 2009 Tax Account	<u>(386)</u>	<u>(5,418)</u>

LESLIE COUNTY
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 COMMENTS AND RECOMMENDATIONS
 For The Year Ended December 31, 2014
 (Continued)

FINANCIAL STATEMENT FINDINGS: (CONTINUED)

2014-015 The Former Sheriff Has Not Settled 2010 Fee Account Receivables, Liabilities, And Deficit Due Per Audit (Continued)

Available Balance after Receivables & Liabilities are Settled	\$ 9,299
Remaining Balance of Excess Fees Due To Fiscal Court	(9,507)
2010 Fee Account Deficit Due Personally From Former Sheriff	\$ (208)

Explanation

Checks Written To Cash, Employees, Or Purchase Of GreenDot Cards Where Receipts Were Less Than The Amount Of The Check	\$ 109
Disbursements - Adequate Documentation Not Maintained, Purchase Of Cigarettes, And Flowers For Funerals	70
Camp Expenses In Excess Of Revenues	29
Remaining Disallowed Disbursements Not Reimbursed By Former Sheriff	\$ 208

KRS 134.192(12) states, in part, "the sheriff shall pay to the governing body of the county any fees, commissions, and other income of his or her office." The former Sheriff did not personally deposit funds to cover the deficit amount noted or collect the receivables due from the 2009 fee account. As a result, the former Sheriff did not remit liabilities to various fee and tax accounts or pay the remaining balance of excess fees to the fiscal court. We recommend the former Sheriff personally deposit \$208 to the 2010 fee account to cover disallowed disbursements. After this deposit is made, the former Sheriff should deposit the receivables identified above and remit remaining liabilities, including the excess fees due to the fiscal court. We will refer this finding to the Office of the Attorney General and the Leslie County Attorney.

Former Sheriff's Response: No Response.

2014-016 The Former Sheriff Has Not Settled 2008 And 2009 Fee Account Receivables, Liabilities, And Deficit Due Per Audit

The following 2008 and 2009 receivables and liabilities have not been properly settled. Since the former Sheriff has closed the 2008 fee account, the 2008 items due have been consolidated with 2009 fee account receivables and liabilities, as reflected below.

2009 Fee Account Bank Balance as of July 2015	\$ 10
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Receivables Due:

Excess Fees Paid In Error Due From Fiscal Court (2009)	\$ 2,926
Excess Fees Paid In Error Due From Fiscal Court (2008)	852
Telecommunications Taxes Due From 2010 Fee Account	256

LESLIE COUNTY
 PAUL HOWARD, FORMER SHERIFF
 COMMENTS AND RECOMMENDATIONS
 For The Year Ended December 31, 2014
 (Continued)

FINANCIAL STATEMENT FINDINGS: (CONTINUED)

2014-016 The Former Sheriff Has Not Settled 2008 And 2009 Fee Account Receivables, Liabilities,
 And Deficit Due Per Audit (Continued)

Receivables Due (Continued):

Interest Due From 2008 Tax Account	\$	2	
Add-on Fees Due From 2008 Tax Account		1,115	
Advertising Fees Due From 2008 Tax Account		294	
Erroneous Reimbursement Due From 2008 Tax Account		149	\$ 5,594

Liabilities Due:

Disbursement Reimbursement Due To 2010 Fee Account	(1,897)	
Payroll Reimbursement Due To 2010 Fee Account	(11,727)	
Commission Overpayment Due To 2007 Tax Account	(2,832)	
Seized Evidence Money Due To State Forfeiture Account	(7,018)	(23,474)

Consolidated CY 2008 & 2009 Fee Deficits Due Personally From Sheriff	(17,870)
Donation Account Deficit For Improperly Spent Funds (2008)	(2,500)
Total CY 2008 & 2009 Deficits Due Personally From Former Sheriff	\$ (20,370)

Explanation of 2009 Deficit

Excess of Allowable Disbursements Over Receipts	\$ 7,289
Unreimbursed Disallowed Disbursements Due From Sheriff	1,997
Reimbursement for 2008 Expenses Paid From 2009 Account	1,950

Additional Expenses From 2009 Account Post Audit

Bank Service Charges Incurred From June 2011 through July 2015	384
2009 Fee Account Deficit Due Personally From Former Sheriff	\$ 11,620

Explanation of 2008 Deficit

Excess of Allowable Disbursements Over Receipts	\$ 3,621
Unreimbursed Disallowed Disbursements Due From Sheriff	2,342

LESLIE COUNTY
 PAUL HOWARD, FORMER SHERIFF
 COMMENTS AND RECOMMENDATIONS
 For The Year Ended December 31, 2014
 (Continued)

FINANCIAL STATEMENT FINDINGS: (CONTINUED)

2014-016 The Former Sheriff Has Not Settled 2008 And 2009 Fee Account Receivables, Liabilities, And Deficit Due Per Audit (Continued)

Additional Expenses From 2008 Account Post Audit

Bank Service Charges	\$	69	
Go Daddy.com Purchases		<u>218</u>	\$ 287
Donation Account Deficit			<u>2,500</u>

2008 Fee Account Deficit Due Personally From Former Sheriff \$ 8,750

Adjusted CY 2009 Deficit Due Personally From Former Sheriff	\$	11,620
Total Adjusted CY 2008 Deficit Due Personally From Former Sheriff		<u>8,750</u>
Total CY 2008 & 2009 Deficits Due Personally From Former Sheriff	\$	<u>20,370</u>

KRS 134.192(12) states, in part, “the sheriff shall pay to the governing body of the county any fees, commissions, and other income of his or her office.” The former Sheriff did not personally deposit funds to cover the deficit amounts noted, or collect the receivables due from various fee and tax accounts and the fiscal court. As a result, the former Sheriff did not remit liabilities to various fee and tax accounts. The balance in the donation account is understated because the former Sheriff has not personally repaid the deficit amount. We recommend the former Sheriff personally deposit \$17,870 to the 2009 fee account to cover the 2008 and 2009 fee account deficits as identified above. After this deposit is made, the former Sheriff should deposit the receivables identified and remit remaining liabilities. The former Sheriff should also personally deposit \$2,500 to the donation account to cover disallowed disbursements. We will refer this finding to the Office of the Attorney General and the Leslie County Attorney.

Former Sheriff's Response: No Response.

2014-017 Telecommunication Tax Commissions Of \$1,025 Are Due To The Fiscal Court Per 2007 Audit

The 2007 audit determined \$1,025 of telecommunication tax commissions were erroneously deposited to the former Sheriff's 2006 fee account. These funds were due to the former Sheriff's 2007 fee account, to be remitted to the fiscal court as excess fees. Current year follow-up has determined the 2006 fee account is closed, and no telecommunication commissions were deposited to the 2007 fee account. The former Sheriff has not actively pursued remedy with the fiscal court or County Attorney. As a result, this item has not been resolved. Since these monies were due to the former Sheriff's 2007 fee account, he could be personally responsible for unpaid excess fees due to the Fiscal Court. KRS 134.192(12) states, in part, “the sheriff shall pay to the governing body of the county any fees, commissions, and other income of his or her office.” We recommend the former Sheriff consult with the County Judge/Executive and County Attorney to resolve the amount of telecommunication tax commissions due to the fiscal court as excess fees from the former Sheriff's 2007 fee account.

Former Sheriff's Response: No Response.

